

Message Text

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ACTION OPIC-12

INFO OCT-01 ARA-11 ADP-00 EB-11 AID-20 L-03 INR-09 CIAE-00

NSAE-00 COME-00 TRSE-00 XMB-07 SS-14 NSC-10 CCO-00

SSO-00 NSCE-00 USIE-00 RSR-01 INRE-00 /099 W

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O 101535 Z MAR 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 3690

C O N F I D E N T I A L SANTIAGO 0979

E. O. 11652: GDS

TAGS:

SUBJ: CERRO

PASS OPIC FOR MORGAN

FOLLOWING MESSAGE RECEIVED FROM CERRO REP. WALSH. REQUEST MESSAGE
BE PASSED CERRO CORP. NEW YORK OPENING OF BUSINESS MARCH 12. QUOTE:

1. COMPENSATION AGREEMENT MUST BE IN TWO PARTS: A) A PRESIDENTIAL DECREE ON EQUITY PLUS INTEREST AND PART B) A CONTRACT ON THE BALANCE WITH THE TWO ADDING UP TO THE NEGOTIATED DEAL. WE SEE NO INHERENT PROBLEM IN HAVING TWO PIECES OF PAPER INSTEAD OF ONE.
2. BANCO CENTRAL CAN SIGN NOTES RELATING PRESIDENTIAL DECREE AND CANGUARANTEE NOTES RELATING TO THE OTHER CONTRACT. THEY PROPOSED THAT LATTER NOTES BE SIGNED BY NEW ANDINA WHICH WE DON' T LIKE AND BOTH SIDES STUDYING WHETHER CODELCO SIGNATURE ACCEPTABLE WHICH MAY BE THE ANSWER.
3. STATE SIGNATURE OR GUARANTEE REQUIRES ACT OF CONGRESS WHICH BOTH SIDES AGREE OUT OF QUESTION.
4. THEY ARE DRAFTING PRESIDENTIAL DECREE FOR SUBMISSION TO US, HOPEFULLY MONDAY, AND FOLLOWING ARE THEIR SPECIFIC COMMENTS ON BALANCE OF FEBRUARY 22 ND DRAFT OF COMPENSATION AGREEMENT.

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5. ARTICLE FIRST ELIMINATE ALL REFERENCE TO INDEMNIZATION EXPROPRIATION EQUITY AND PRESIDENTIAL DECREE. THIS PRESENTS PROBLEMS.

6. ARTICLE SECOND LAST LINE 9 3/8 PERCENT HIGH FOR POLITICAL PURPOSES. I SUGGESTED LEAVE IT AND WE MIGHT HAVE COSMETIC IDEAS AND THEY AGREED.

7. ARTICLE FIFTH OK BUT THEY WILL CHECK WITH PRINCIPALS.

8. ARTICLE SIXTH OK BUT JA MAY DRESS UP.

9. ARTICLE EIGHTH (B)(3) FINANCE DECREE MAY BE UNNECESSARY.

10. ELIMINATE ARTICLE EIGHTH (C) MUCH DISCUSSION AND NOBODY BUDGED.

11. ARTICLE NINTH (A)(2) ELIMINATE ANY CHILEAN OBLIGATIONS RE U. S. GOVERNMENT DEMANDS.

12. ARTICLE NINTH (B) ELIMINATE.

13. ARTICLE TENTH (A)(4)(5) (6) AND (7) ELIMINATE.

14. ARTICLE TENTH (C) ELIMINATE.

15. ARTICLE ELEVENTH (B) OBJECT BUT MAYBE OK IF CERRO HAS THE BURDEN OF SECURING APPROVAL.

16. ARTICLE TWELFTH (3) ELIMINATE ANY CHILEAN OBLIGATION RE U. S. TAXES. WILL CONSULT RE OUR EXPENSES.

17. ARTICLE TWELTH (G) OBJECT BUT WILL LOOK FOR FORMULA, E. G. EUROPEAN ARBITRATION.

18. ARTICLE FIFTEENTH (F) PENDING. FOLLOWING REFERS EXPANSION AGREEMENT FEBRUARY 22 ND DRAFT.

19. JA OBJECTS ANY SALES CONTRACT MUCH DISCUSSION, NOBODY BUDGED.

20. WILLING DISCUSS PURCHASE CONTRACT MONDAY AFTER DISCUSSION WITH THEIR PURCHASING CHIEF.

21. ARTICLE SECOND OBLIGATIONS OF STATE CANNOT BE ACCELERATED
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HENCE EXPANSION CANNOT RELATE TO EQUITY AND ITS INTEREST. DISCUSSED

AND SOME POSSIBLE DAYLIGHT AS THE PRESIDENTIAL DECREE CAN APPARENTLY SPECIFY ACCELERATION. ALSO ELIMINATE REFERENCE TO INDEMNIZATION AS THE NOTES REST IN NEW ANDINA WHICH GIVES US PROBLEMS.

22. ARTICLE EIGHTH OK BUT WILL CONSULT J. A. RE 100 PERCENT OF MOLY AND OTHER PRODUCTS.

23. ARTICLES SEVENTH, NINTH, TENTH, ELEVENTH OBJECT BUT WILL CONSULT J. A.

24. ARTICLE TWELFTH RESERVE OPINION ON 50 PERCENT. HERE ASKED IF 50 PERCENT INFRINGES ON SENIOR CREDIT AGREEMENTS WHICH QUESTION WE ARE DISCUSSING AMONG OURSELVES.

25. ARTICLE 13(B) WILL STUDY.

26. ARTICLE 13(C) ELIMINATE BUT WILLING CONSIDER ARBITRATION, E. G. PARIS OR LONDON.

26. ARTICLE THIRTEEN (D) WILL PAY NO FOREIGN TAXES AND WILL CONSULT RE OUR EXPENSES.

27. ARTICLE FOURTEENTH SEE ABOVE.

28. ARTICLE FIFTEENTH PERFER PARIS.

29. ARTICLE SIXTEENTH (C) NOT U. S. LAW MAYBE ARBITRATION.

30. ARTICLE SEVENTEENTH (A) AND (B) ELIMINATE REFERENCES SALES CONTRACT.

31. WILL CLEAR RE PURCHASE CONTRACT. END OF THEIR RESPONSE. FOREGOING MEETINGS WITH FORTIN AND REULY LAWYERS FOR BANCO CENTRAL. HAVE IMPRESSION PRINCIPALS ALSO DISCUSSING MATTER FREQUENTLY. WE RECONVENE MARCH 12 TH 15:30 . WILL TELEPHONE YOU NOON YOUR TIME 12 TH TO DISCUSS. HAVE EMPHASIZED SCHEDULE PROBLEMS. UNQUOTE. DAVIS

NOTE BY OCT: NOT PASSED CERRO CORP.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinjw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SANTIA00979
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730325/aaaahlri.tel
Line Count: 167
Locator: TEXT ON-LINE
Office: ACTION OPI
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by martinjw>; APPROVED <21 FEB 2002 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 971118
Subject: CERRO
TAGS: EIND, CI, n/a
To: OPIC
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005